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RUEHBO/AMEMBASSY BOGOTA 4107
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RUEHBU/AMEMBASSY BUENOS AIRES 5244
RUEHCV/AMEMBASSY CARACAS 2483
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RUEHMN/AMEMBASSY MONTEVIDEO 4601
RUEHQT/AMEMBASSY QUITO 5113
RUEHSG/AMEMBASSY SANTIAGO 9703
RHMFISS/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUEHUB/USINT HAVANA 0315
RHEHNSC/NSC WASHINGTON DC
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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: DECL: 05/15/2017
TAGS: [ECON](#) [EINV](#) [ENRG](#) [EPET](#) [PREL](#) [IR](#) [VE](#) [BL](#)
SUBJECT: BOLIVIAN AND VENEZUELAN OIL COMPANIES PLAN
SYMBOLIC PARTNERSHIP

REF: CARACAS 741

Classified By: Ecopol Counselor Andrew Erickson for reasons 1.4 (b), (c), and (e).

Summary

¶1. (S) The GOB issued a decree on May 13 enabling state oil company YPFB to form partnerships to explore 21 areas for natural gas and oil. Following the decree issuance, Bolivian officials announced that YPFB is discussing the formation of a joint exploration company with Venezuela's PDVSA. Reftel reporting indicates PDVSA is strapped for cash. The Venezuelan oil company has minimal experience in the natural gas business, while past exploration has shown that Bolivia has little oil. Thus, we assess this alliance to be more an exercise in political theatrics than in economic ambition. However, the PDVSA partnership could open the back door to Iranian investment in Bolivia's gas industry. End summary.

GOB Issues Decree Granting YPFB Exploration Rights

¶2. (U) The GOB issued decree 29130 on May 13 granting Bolivian state oil company YPFB the right to form partnerships with other state-owned or private companies to explore and develop 21 areas for natural gas and oil production. Hydrocarbons Minister Villegas reportedly explained that although partnerships could be formed with state or private companies, priority would be given to companies from countries with which Bolivia has energy agreements approved by the congress, such as with Venezuela.

¶3. (C) Following the decree issuance, Bolivian officials announced that Bolivia's state oil company YPFB and Venezuelan state company PDVSA are discussing the formation of a joint exploration company to search for untapped gas and oil reserves in Bolivia. YPFB would have majority ownership of the company, which would take advantage of the 21 areas of exploration assigned to YPFB. YPFB is also feeling out a potential partnership with Russian company Gazprom.

Comment: Iran -- Potential Gas Exploration Partner?

¶4. (S) Reftel reporting indicates that PDVSA is strapped for cash. The Venezuelan oil company has minimal experience in the natural gas business, while past exploration has shown that Bolivia has little oil. Thus, we assess this alliance to be more an exercise in political theatrics than in economic ambition. However, Iran has demonstrated interest in gaining a foothold in Bolivia for political reasons, and gas exploration, in which Iran has expertise, could provide an opening for the Iranians. Indeed, Vice President Garcia Linera told the Ambassador May 14 that, although "political relations" with Iran remain out of the question, "economic relations" would continue to grow (septel). End comment.
GOLDBERG